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6 July 1954

MEMORANDUM FOR: Deputy Director (Administration)

SUBJECT : Reimbursement of Contribution or Donation to
 25X1A5a1 [REDACTED] Under Contract No. RD-57

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1. The attached file containing various communications concerning the claim of [REDACTED] under Contract No. RD-57 for a donation made by them to the Alameda Merchant's Association Carnival Fund.

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2. As stated in [REDACTED] memorandum to the Contracting Officer, 19 May 1954, exhibit "E," the basis for allowable costs under the contract is governed by Appendix II entitled "Contract Cost Principles" and under Section 15-205(F) of these principles there is listed "Contributions and Donations" as being examples of items of unallowable costs. Also, as stated in Mr. [REDACTED] memorandum, the Contractor was specifically informed and agreed thereto prior to incurring the expenses that this type of expenditure could not be reimbursed by the Government.

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3. In support of the Contractor's claim, Chief, APD/TSS, has stated that the payment was made in the interest of security and has the concurrence of the TSS Security Office, see Exhibit "C."

4. As stated by Mr. [REDACTED] in his memorandum, attached, of 25 June 1954, the Contractor is an independent business and we therefore do not feel that payment of the claim in question can be justified as being the cost of preserving security. Furthermore, to pay such a claim would, we believe, not only constitute the allowance of an item as cost which is specifically defined as not allowable under the Armed Services Procurement Regulations, but would establish the basis for other contractors to claim or reclaim any similar disallowances on similar grounds.

5. In view of our disagreement with Logistics and APD/TSS, it will be appreciated if you will indicate your approval of the Industrial Contract Audit Branch disallowance by signing in the approval space below or, if you disagree with our conclusions, please advise by appropriate memorandum.

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APPROVED:

 [REDACTED]
 E. R. SAUNDERS
 Comptroller